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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Senior Fiscal Analyst *ICJ*
Derrick Headd, Fiscal Analyst *DH*

DATE: October 30, 2013

RE: 1214 Griswold Apartments, LLC. Public Act 210 of 2005 Abatement Request
10:10 A.M. – PUBLIC HEARING (Recommend Approval)

The following is Fiscal's review of 1214 Griswold Apartments, LLC.'s Public Act 210 abatement request.

The Commercial Rehabilitation Act, Public Act 210 of 2005, is a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the previous year's taxable value. The taxable value is frozen for the term of the certificate.

The 10-year tax abatement request by 1214 Griswold Apartments, LLC is based on a \$5 million investment in building renovations for 1214 Griswold. The project involves converting 127 Section 8 housing units into market rate housing. If approved, the developer will rehabilitate this 12-story historic 1929 building into market rate residential apartments with first floor retail. 1214 Griswold has been a Section 8 apartment building since its conversion from an office building in 1980. Currently, there are approximately 127 units of residential apartments of which 116 are occupied. The building's HUD contract status is set to expire and the developer has administered efforts to assist the current residents in moving to other subsidized housing. In addition, this project is anticipated to generate 30 temporary construction jobs and to retain 5 permanent jobs. The requested tax abatement is for 10 years.

SUMMARY:

Savings for the Developer over 10 years to assist the project	\$1,466,778
Projected Tax to City in years 1-17	<u>\$2,797,208</u>
Net Cost Benefit to the City of Detroit	\$1,330,430
10-Year Tax Revenue (abatement period) <u>without development</u> :	\$713,160
10-Year Tax Revenue going forward (abatement period) <u>With Development</u>:	<u>\$1,291,193</u>
<u>10-Year difference with development versus no development:</u>	<u>\$578,033</u>

Recommendation

As indicated in our chart, in the 7 tax years beyond the abatement, this project is estimated to bring the City \$1,330,430 in land and property tax revenue above the savings to the developer. Going forward beyond the abatement period, the City is projected to receive over \$200,000 annually in tax revenue. Conversely, on an annual basis the most the City could potentially collect is \$71,316 in property taxes without the proposed \$5 million investment, or any other significant investment. With the planned improvements of the project, the City is projected to receive a tax increase of approximately **\$130,000 per year**.

The Property is located in the Capitol Park Historic District, which was placed on the National Register of Historic Places in 1999. 1214 Griswold was listed on the National Register of Historic Places in 1980. Given the creation of 30 temporary construction jobs and the retention 5 permanent jobs in the city, the new level of investment, the assistance the developer is providing to the Section 8 residents and its projected positive cost benefit to the City of Detroit, **we recommend approval** of 1214 Griswold Apartments, LLC.'s Public Act 210 abatement request.

Finally, the Commercial Rehabilitation Tax Abatement, Public Act 210 of 2005, allows the legislative body that authorizes the exemption, to revoke the certificate if the business has not completed the project, or has failed to proceed in "good faith" in the operation of the qualified facility.

Please contact us if we can be of any further assistance.

cc: Auditor General's Office
Robert Anderson, PDD
Marja Winters, PDD
Brian Watkins, PDD
Adam Hollier, Mayor's Office